

**Testimony of Governor Kathleen Blanco
before the Subcommittee on Water Resources and Environment and the Subcommittee on
Economic Development, Public Buildings, and Emergency Management
Committee on Transportation and Infrastructure
U.S. House of Representatives**

October 18, 2005

Mr. Chairman, Mr. Ranking member, committee members, thank you for this opportunity.

In the worst natural disaster in this nation's history, Hurricanes Katrina and Rita hit New Orleans and most of South Louisiana hard. You've all seen and read about the devastation.

Hundreds of thousands of our citizens remain scattered all across the nation. Over two hundred thousand homes have been destroyed, leaving tens of thousands still homeless.

The hurricanes shuttered or displaced almost 81,000 firms – that is 41 percent of Louisiana businesses. The Congressional Budget Office reports that more than 375 thousand Louisiana citizens lost their jobs.

The task of rebuilding Louisiana is massive and complex.

Many schools, universities, hospitals, churches, businesses, utility systems have been destroyed.

Much of our transportation and port infrastructure (both sea and air) has been damaged or destroyed. Indeed, entire communities, entire parishes have been destroyed.

These mothers and fathers and sisters and brothers and their children want to come home and I want them to come. They want us to rebuild and I insist that we rebuild. But, we must protect what we rebuild. Our people of coastal Louisiana must feel safe. They must be safe. They deserve no less.

We must build newer, higher, stronger levees to protect New Orleans and other South Louisiana communities.

Repairing the damaged levees is only a step ... only the first step. New Orleans must be protected. Without better levees who will invest ... who will insure ... who will return?

Without restoring and improving the critical infrastructure – levees and drainage canals, roads and bridges, hospitals and schools – we can't rebuild New Orleans.

Let there be no doubt about the importance of the New Orleans area to the economic health of this nation. America's economy must have a vibrant commercial port at the mouth of the Mississippi River, its most important waterway.

South Louisiana is the center point of the nation's energy economy. This is the export hub of the nation's breadbasket. This region fills the nation's restaurants and supermarkets with seafood.

Indeed, the quality of life of our country depends on a vibrant Louisiana economy. Just as the nation recreated the economic greatness of New York City after 9-11, the nation needs New Orleans and South Louisiana.

America needs that region not only for our rich culture, but also for its unparalleled and unique contribution to America's economy.

We are working hard to restore Louisiana and to bring our people back ... back to sound homes, quality jobs and revived neighborhoods.
But we must have help from Congress.

We are dealing with a crushing blow to the revenues of both state and local governments.

Jobs and businesses are at the heart of our recovery efforts. Without a thriving business community providing quality jobs, our people will have no reason to come home.

In the first 18 months of my administration, we scored success after success as we brought in new industries and retained existing businesses worth 3 billion dollars of new capitol investment.

We scored those successes with targeted state tax credits and tax incentives that reward companies for investing in Louisiana and creating quality jobs.

We are proposing to use the same kinds of economic development tools in the recovery of Louisiana, but we need additional help.

We need:

- Direct incentives to help businesses and individuals move back home into the storm zone. That's an idea that President Bush included in his Gulf Opportunity Zone proposal.
- Up to 30 billion dollars in tax-exempt "Hurricane Recovery" bonds. This will dramatically lower the cost of capital to companies of all sizes.
- A job-creation tax credit will motivate large companies with significant payrolls to remain in the region.
- A 10 billion dollar Louisiana Business Development Fund to provide grants to small businesses that return to the affected areas of our state.

We need your help with these important incentives in order to regain our footing.

We project a twenty percent shortfall in state tax collections because our economy has been stopped in its tracks.

Just yesterday, I announced the creation of a bridge loan program to help our small businesses with much-needed cash flow.

The need for financial assistance is so great in the damaged areas that this program will be tapped out in two to three days.

Our businesses need more of this kind of immediate help and I've already asked the Senate and President Bush for \$200 million to fund bridge loans – that's the size of our need.

We're making other advances. Days ago, we reopened an important bridge on Interstate 10 east of New Orleans.

This temporary repair was completed earlier and at a lower cost than we estimated and by Louisiana contractors, I proudly add. A permanent repair to this section of I-10 will cost about \$600 million.

That is just one part of the needed repairs to the infrastructure in and around New Orleans.

Roads and bridges that are not normally eligible for federal aid suffered about \$845 million worth of damage.

South Louisiana's port system is functioning but only at a fraction of its capacity. Damage to public port and rail facilities alone total more than \$825 million. The federal navigation system on the river suffered more than \$300 million in damage.

Those are just part of this massive recovery effort, an effort that requires a daring, yet realistic plan ... To recover from the trauma of this devastation, we cannot simply re-create the protection levees that those storms destroyed ... we MUST rebuild the new Louisiana, smarter, safer and stronger.

To coordinate the continuing rebuilding effort, I have created the Louisiana Recovery Authority. They will function as board of directors of my recovery effort.

I have selected some of the best minds from -- or with connections to -- Louisiana.

I have appointed as chair, Dr. Norman Francis, president of Xavier University in New Orleans and one of our state's most respected leaders.

As vice chair, I have appointed Walter Isaacson, a New Orleans native who has served as managing editor of Time magazine, Chairman and CEO of the Cable News Network (CNN) and is now president of the Aspen Institute.

I have directed these members to ...

- act boldly ...
- reach out for new ideas ...
- forget old limits ...
- ignore the ancient rivalries of politics, race and region ...
- imagine a better Louisiana ...
- and help me create it.

This authority will go to work immediately and they will focus on prioritizing key issues: safety, housing, jobs, transportation, education, infrastructure, economic and workforce development, health, the environment and family services.

I am confident that this authority can deliver tangible results on time.

I want to spend a moment addressing the issue of financial accountability. I understand the questions that some in Congress have about how our state will handle the federal funds that are coming to us for disaster relief and recovery.

First, during my administration, the financial operations of the state of Louisiana have been highly rated for governmental accountability. But I want to emphasize that the financial affairs of Louisiana will be transparent and wide open. I believe that we will stand well to the expected scrutiny by the public, the Congress and the media.

Second, in addition to our normal auditing processes, we will hire a big-four accounting firm to audit every single recovery dollar that the state receives.

We will then have a second big-four accounting firm audit the audit of the first firm. And finally, on top of that, I directed the Louisiana Recovery Authority to appoint an audit committee to add further oversight to this financial accountability process.

I expect to account for every single penny of federal money that is received by the state of Louisiana and I believe this process will enable us to do it in a way that inspires public confidence.

Only with the confidence of the public and this Congress can we properly restore New Orleans and South Louisiana, a task that is vital to the future of this nation.

I come to you today to ask on behalf of the hundreds of thousands of United States' citizens who call Louisiana home to continue your generous support of our recovery efforts.

Without the financial support of Congress and the American people, we cannot adequately meet the challenges before us. But I am confident that with the support of our president and each of you, we will be able to bring our people home, restore our communities and reunite our families in a stronger, more vibrant Louisiana.

President Bush has repeatedly expressed his desire that we succeed in these rebuilding and restoration efforts. He is fully committed and Louisiana appreciates his commitment.

That is our task and I hope each of you will become our partners in this historic undertaking.